

## Message Text

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PAGE 01 MANILA 14856 01 OF 02 200540Z

ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 CIAE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 CEA-01 STR-05 IO-13

NEA-10 /113 W

-----034292 200542Z /11

R 200435Z SEP 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5362

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 14856

USADB

PASS TREASURY FOR BRADFORD/SHERK

E.O. 11652: NA

TAGS: EAID, EFIN

SUBJECT: ADB VICE PRESIDENCY

FOLLOWING IS TEXT OF INFORMAL PROPOSAL PREPARED BY CANADIAN EXECUTIVE DIRECTOR REGARDING SENIOR MANAGEMENT STRUCTURE OF ADB. USADB UNDERSTANDS IT IS NOT A FORMAL PROPOSAL OF CANADIAN GOVERNMENT, BUT WE DO BELIEVE IT REPRESENTS THRUST OF OTTAWA'S THINKING ON THIS SUBJECT.

QUOTE

SENIOR MANAGEMENT STRUCTURE OF ADB

ANY REVISION OF THE SENIOR MANAGEMENT STRUCTURE WOULD HAVE TO BE UNDERTAKEN WITH A VIEW TO REQUIREMENTS OVER THE NEXT TEN YEARS OR SO SINCE REFORMS OF THAT KIND HAVE PERVASIVE EFFECTS ON THE ORGANIZATION AND ARE SELF-DEFEATING IN THE LIMITED OFFICIAL USE

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PAGE 02 MANILA 14856 01 OF 02 200540Z

SENSE OF BEING DISRUPTIVE RATHER THAN CONSTRUCTIVE IF THEY OCCUR AT MORE FREQUENT INTERVALS. THUS ANY DECISIONS IN THIS AREA ARE CRUCIAL IN NATURE AND CALL FOR THOROUGH EXPLORATION AND CONSIDERATION.

A CASE CAN BE MADE, OUTLINED BELOW, JUSTIFYING FOUR SENIOR MANAGEMENT POSITIONS IMMEDIATELY BELOW THE

PRESIDENT AS CHIEF EXECUTIVE OFFICER:

1) A SENIOR VICE PRESIDENT RESPONSIBLE FOR COUNTRY PROGRAMMING AND LENDING OPERATIONS.

2) A SECOND SENIOR POSITION COVERING "FINANCE".

3) A THIRD SENIOR POSITION COVERING "ADMINISTRATION."

4) A FOURTH SENIOR POSITION COVERING "POLICY AND DEVELOPMENT."

THE TITLE OF THE NEW POSITIONS IS IMMATERIAL BUT IT WOULD BE ESSENTIAL THAT ALL HAVE INCLUDED IN THEIR TERMS OF REFERENCE THE FOLLOWING KEY FEATURES. EACH INCUMBENT WOULD REPORT DIRECTLY TO THE PRESIDENT. EACH WOULD BE ACCOUNTABLE FOR SPECIFIC FUNCTIONAL RESPONSIBILITIES DELEGATED BY THE PRESIDENT. ALL FOUR WOULD BE MEMBERS OF A MANAGEMENT COMMITTEE CHAIRED BY THE PRESIDENT. SALARIES WOULD NOT BE RESTRICTED TO THE LEVEL OF REMUNERATION PAYABLE TO MEMBERS OF THE BOARD.

IN SUPPORT OF THIS PROPOSAL, THE FOLLOWING CONSIDERATIONS ARE RELEVANT:

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PAGE 03 MANILA 14856 01 OF 02 200540Z

(A) THE FOUR SENIOR POSITIONS EMERGE RATIONALLY ON ANALYSIS OF BANK FUNCTIONS AND THEIR BREAKDOWN INTO MAJOR COMPONENTS THAT ARE ESSENTIAL AND MANAGEABLE AS SEPARATE ACCOUNTABILITY CENTRES. IN MORE DETAIL:

(I) THERE SEEMS TO BE A GENERAL AGREEMENT ABOUT THE ROLE OF THE SENIOR VICE PRESIDENT. WHILE HIS SPREAD OF RESPONSIBILITIES IS VERY BROAD, THERE HAS TO BE AN ORGANIC LINK AMONG THESE INTER-RELATED FUNCTIONS AND ANY SPLIT WOULD PUT AN UNDESIRABLE BURDEN ON THE CHIEF EXECUTIVE IN ATTEMPTING TO ACHIEVE THE NECESSARY DEGREE OF OPERATIONS INTEGRATION.

(II) THE SENIOR POSITION COVERING "FINANCE" IS ESSENTIALLY CONCERNED WITH THE BUSINESS OF BORROWING AND OF INVESTING FUNDS. IT CAN BE ARGUED THAT WITH THE GROWTH OF THE BANK AND INCREASED RELIANCE ON FUNDING FROM COMMERCIAL SOURCES, BOTH FUNCTIONS WILL ASSUME INCREASING IMPORTANCE TO THE POINT WHERE THEY WILL PLAY CONSIDERABLY MORE THAN A SUPPORTING ROLE IN DETERMINING THE OVERALL PERFORMANCE OF THE BANK. UNLIKE COMPARABLE INSTITUTIONS IN THE PUBLIC SECTOR, THE BANK

CANNOT BE SATISFIED WITH A FINANCIAL ADMINISTRATOR, BUT  
REQUIRES SKILLS WHICH CALL FOR A COMBINATION OF HIGHLY  
SPECIALIZED EXPERIENCE AND ENTREPRENEURIAL TALENT.  
THESE QUALIFICATIONS ARE IN VERY SHORT SUPPLY (IN THE  
SALARIES MARKET) AND IT WOULD BE PRUDENT FOR THE BANK TO  
ESTABLISH A POSITION COMMENSURATE WITH ITS IMPORTANCE

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PAGE 01 MANILA 14856 02 OF 02 200547Z  
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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
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FM AMEMBASSY MANILA  
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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 14856

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PASS TREASURY FOR BRADFORD/SHERK

AND ATTRACTIVE ENOUGH FOR THE RIGHT KIND OF CANDIDATE.

(III) THE SENIRO POSITION COVERING "ADMINISTRATION" IS ESSENTIALLY CONCERNED WITH THE INTERNAL OPERATIONS OF THE BANK, INCLUDING RESPONSIBILITY FOR BUDGETS, FINANCIAL CONTROLS, INFORMATION SYSTEMS, PERSONNEL ADMINISTRATION, ETC. IN LARGE SCALE NON-FINANCIAL BUSINESS ORGANIZATIONS (WHERE THE RAISING OF FUNDS AND INVESTING OF TEMPORARY CASH BALANCES PLAYS A SUB-ORDINATE ROLE) THESE FUNCTIONS ARE FREQUENTLY HANDLED BY A VICE-PRESIDENT FINANCE AND ADMINISTRATION. DUE TO THE HETEROGENOUS NATURE OF THESE FUNCTIONS, RESPONSIBILITY COULD BE SPLIT AMONG TWO OFFICERS OCCUPYING A POSITION JUST BELOW THE VICE-PRESIDENTIAL LEVEL. WHILE THE FINAL DECISION ON THIS IS INTIMATELY RELATED TO THE PREFERRED MANAGEMENT STYLE, WHICH TO A LARGE EXTENT INVOLVES SUBJECTIVE JUDGEMENTS, IT IS ARGUED IN THIS PAPER THAT ON

BALANCE, IT WOULD BE MORE ADVANTAGEOUS TO CONCENTRATE  
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PAGE 02 MANILA 14856 02 OF 02 200547Z

RESPONSIBILITY IN THE HANDS OF ONE SENIOR MANAGER AS THE  
BEST ASSURANCE THAT THE UNIQUE PROBLEMS OF THE BANK IN  
THESE AREAS WILL RECEIVE THE KIND OF ATTENTION THEY  
DESERVE.

(IV) THE CREATION OF A NEW FUNCTIONAL AREA  
CALLED "POLICY AND DEVELOPMENT" COULD SERVE AS THE LINK  
OR MECHANISM FOR INTEGRATING ECONOMIC AND ANALYTICAL  
BACK-UP WITH OPERATIONS AND COULD PROVIDE POLICY INPUTS  
COORDINATING ALL LEVELS AS REQUIRED AS WELL AS A SUSTAINED  
CAPABILITY FOR LONGER TERM PLANNING.

(B) A MORE FULLY ARTICULATED SENIOR MANAGEMENT  
STRUCTURE WOULD ALLOW THE RATIONALIZATION OF MIDDLE-  
MANAGEMENT POSITIONS, THUS SHORTENING LINES OF COMMUNICA-  
TIONS WITH CONSEQUENTIAL EFFECTS IN TERMS OF COHERENCE  
AND RESPONSIVENESS.

(C) THE PROPOSED GROUP OF SENIOR MANAGERS WOULD BE  
SMALL ENOUGH TO COOPERATE AND ACT EFFECTIVELY IN RUNNING  
THE AFFAIRS OF THE BANK WHILE LARGE ENOUGH TO PROVIDE  
THE NECESSARY DEPTH AND EXPERIENCE UNDERPINNING THE  
DECISION MAKING PROCESS.

(D) THE CHIEF EXECUTIVE OFFICER WOULD HAVE AT HIS  
DISPOSAL SENIOR ADVISORS ON A CONTINUOUS BASIS BOTH  
WITH REGARD TO CURRENT OPERATIONS AS WELL AS POLICY AND  
PLANNING.

IN SUMMARY, THE PROPOSED MANAGEMENT STRUCTURE IS  
TAILORED TO MEET FORESEEABLE REQUIREMENTS THAT  
TAKE INTO ACCOUNT THE BANK'S MISSION AND ITS OPERATIONS  
AS AN INTERNATIONAL ORGANIZATION WITH INSTITUTIONAL  
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PAGE 03 MANILA 14856 02 OF 02 200547Z

CHARACTERISTICS WHICH REFLECT THE FACT THAT IT HAS ONE  
FOOT IN THE PUBLIC SECTOR AND THE OTHER IN THE COMMERCIAL  
SECTOR.

THE HIGHER COST OF A LARGER MANAGEMENT  
STRUCTURE AT THE SENIOR LEVEL CAN ONLY BE JUSTIFIED  
INSOFAR SUCH EXPANSION MEETS THE REAL NEEDS OF THE BANK.  
IN MAKING THIS JUDGEMENT IT IS PERTINENT TO KEEP IN MIND

PRACTICAL OBJECTIVES THAT MEET REASONABLE EXPECTATIONS  
FOR THE NEXT 10-YEAR PERIOD, SUCH AS READY ADAPTABILITY  
REQUIRED FOR LARGER SCALE OPERATIONS AS WELL AS POLICY  
AND RESEARCH CAPABILITIES DESIGNED TO MAINTAIN A PROMINENT  
ROLE FOR THE BANK AS A DEVELOPMENT INSTITUTION.

UNQUOTE

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